SAMPLE QUESTION PAPER 1

CLASS XII
ECONOMICS (856)
TERM 1

Maximum Marks: 80 **Time Allowed: 90 Minutes**

General Instructions:

Candidates are allowed additional 15 minutes for only reading the paper.

All Questions are Compulsory.

Each question/subpart of a question carries 1 mark.

Select the correct option for each of the following questions.

1. Demand for a normal good bears

(i) an inverse relationship with respect to its price.

(ii) a positive relationship with respect to income.

(iii) an inverse relationship with the price of its complementary good.

(iv) All of the above.

Which of the above statements is correct?

2. If the price of a commodity falls, income effect of the price fall would mean that

(i) the consumer's money income has gone down.

(ii) the consumer's money income has increased.

(iii) the consumer's real income has increased.

(iv) the consumer's real income has gone down.

3. A fall in the price of a substitute good results in

(i) increase in demand for a competitive good.

(ii) decrease in demand for the substitute good.

(iii) decrease in price for a competitive good.

(iv) All of the above.

4. Among the following pairs of goods, choose the inconsistent or odd one out:

(i) Bread and butter (ii) Coke and Pepsi

(iii) Tea and sugar (iv) Car and petrol

5. In Fig. 1, a movement from point A to point B on the given demand curve represents

(i) contraction in demand. (ii) expansion in demand.

(iii) increase in demand. (iv) decrease in demand.

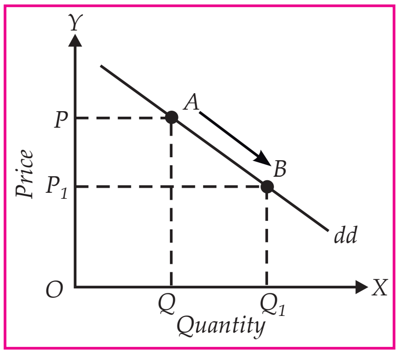


Fig. 1

6. Which of the following graphs represents an increase in demand?

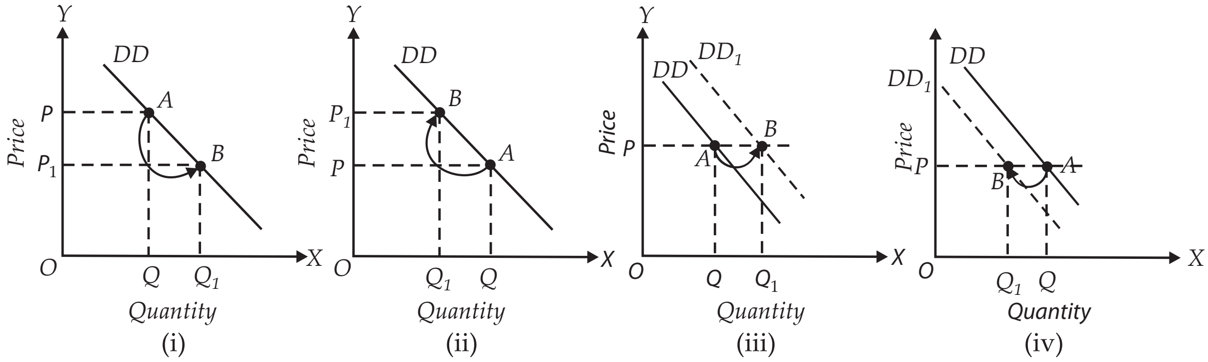


Fig. 2

7. Income effect in case of inferior quality goods will be

(i) positive. (ii) negative.
(iii) zero. (iv) one.

8. If with an increase in the price of Good-X, the demand of Good-Y decreases, such goods are called

(i) competitive goods. (ii) complementary goods.
(iii) complex goods. (iv) compromising goods.

9. Which of the following is responsible for movement along the same demand curve?

(i) Price of the commodity itself (ii) Income of the consumer
(iii) Taste and preferences (iv) Government Tax Policy

10. Demand for a firm's product will be highly elastic in a market where

(i) no substitutes are available. (ii) a few substitutes are available.
(iii) some more substitutes are available. (iv) infinitely large number of substitutes are available.

11. In which of the following graphs $E_P = 1$ at price P?

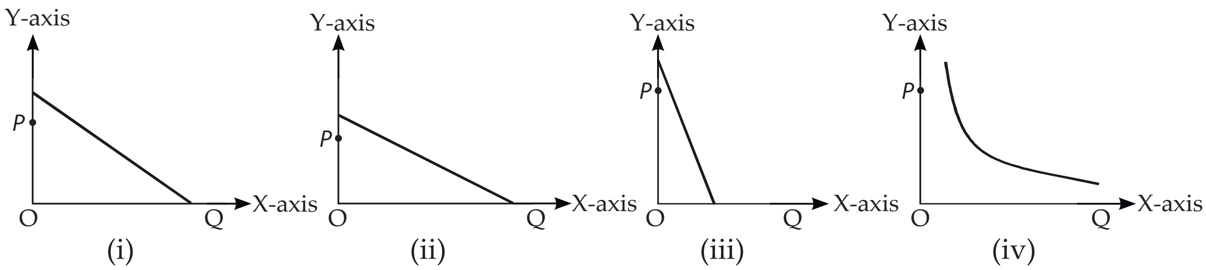


Fig. 3

12. DD is the demand curve. Which of the curves shows perfectly elastic demand ?

(i) (a) (ii) (b)
(iii) (c) (iv) None of the above

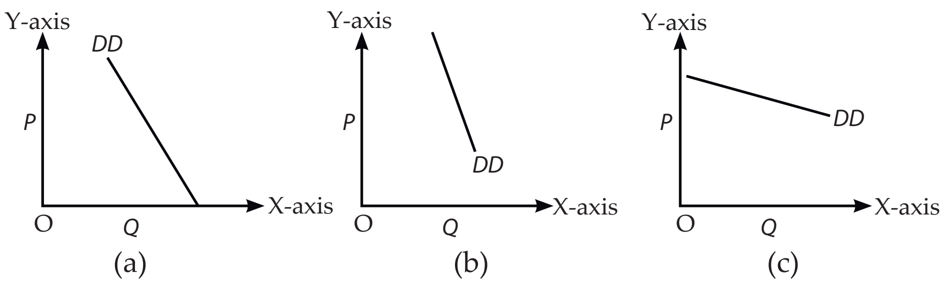


Fig. 4

13. What will be the likely value of price elasticity of demand if demand for Good-X doubles due to a 25% fall in price.

(i) Unity (ii) More than unity
(iii) less than unity (iv) Zero

14. A utility schedule for five units is given below:

Units of the Commodity	Utility (utils)
First	20
Second	15
Third	6
Fourth	0
Fifth	–5

Consumer's total utility from the consumption of 5 units is

(i) zero. (ii) –5.

(iii) 41. (iv) 36.

15. Negative utility from a given unit of a commodity means that

(i) consumer does not expect to get any satisfaction from the consumption of this unit.

(ii) the consumer expects to get some lower level of satisfaction from the consumption of this unit.

(iii) the consumer would consume this unit of the commodity only if he has not to pay any price for this commodity.

(iv) the consumer would not like to consume this unit of the commodity even if he has not to pay any price for this commodity.

16. 'Point of satiety' is referred to a situation in which

(i) the TU is rising. (ii) the TU is falling.

(iii) MU is zero. (iv) MU is negative.

17. The consumer is in equilibrium when the following condition is satisfied

(i) $\frac{MU_X}{MU_Y} > \frac{P_X}{P_Y}$. (ii) $\frac{MU_X}{MU_Y} < \frac{P_X}{P_Y}$.

(iii) $\frac{MU_X}{MU_Y} = \frac{P_X}{P_Y}$. (iv) None of the above.

18. When TU is increasing at a diminishing rate, MU must be

(i) constant. (ii) decreasing.

(iii) increasing. (iv) negative.

19. If a consumer is in equilibrium and is consuming commodity-X only. The marginal utility from last unit consumed of commodity-X = 50 utils and MU_M = 10 utils. Find the price of the commodity-X.

(i) ₹ 5. (ii) ₹ 4.

(iii) ₹ 10. (iv) ₹ 40.

20. A consumer will buy more of Good-X than Good-Y, if

(i) $\frac{MU_X}{P_X} = MU_M$. (ii) $\frac{MU_X}{P_X} < \frac{MU_Y}{P_Y}$.

(iii) $\frac{MU_Y}{P_Y} = MU_M$. (iv) $\frac{MU_X}{P_X} > \frac{MU_Y}{P_Y}$.

21. By cardinality we mean that utility can be

(i) measured. (ii) not measured.

(iii) ranked. (iv) None of the above.

22. Which law states that, "When a consumer consumes more and more units of a product, the utility derived from each additional unit decreases?"

(i) Law of ordinal utility (ii) Law of equi-marginal utility

(iii) Law of cardinal utility (iv) Law of diminishing marginal utility

23. When people talk about the utility of a given commodity, they refer to

(i) demand for the product.

(ii) satisfaction gained from consuming such product.

(iii) usefulness of the product in consumption.

(iv) rate at which consumers are willing to exchange one good for another.

24. Suppose a consumer consuming two commodities X and Y is at equilibrium. The prices of Good-X and Good-Y are ₹ 100 and ₹ 200 respectively and the marginal utility of Good-Y is 500 utils. What will be the marginal utility of X?
    (i) 1,000 utils. (ii) 250 utils.
    (iii) 2,500 utils. (iv) 40 utils.

25. Which of the shaded area in the diagrams below represents total utility?

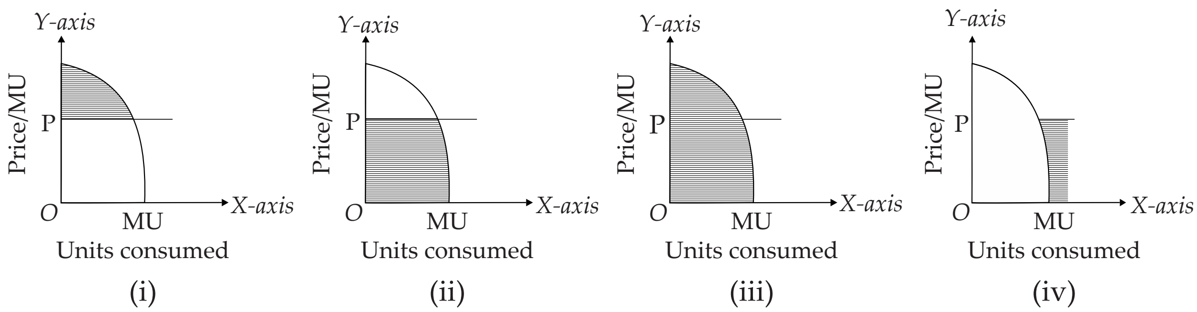


Fig. 5

26. In the following figure, the situation of consumer's equilibrium as per one commodity approach and point of satiety are represented by

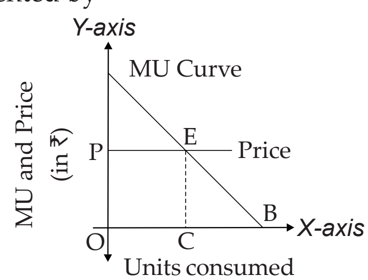


Fig. 6

(i) point C and point E. (ii) point B and point E.
(iii) point E and point B. (iv) point B and point C.

27. Below are given three alternative bundles of Good-X and Good-Y:

	Bundle 1		Bundle 2		Bundle 3	
	Good-X	*Good-Y*	*Good-X*	*Good-Y*	*Good-X*	*Good-Y*
A	5	1	1	5	1	5
B	5	2	2	5	2	3
C	5	3	3	5	3	2

Which of these bundles can form an indifference curve?
(i) Bundle 1 (ii) Bundle 2
(iii) Bundle 3 (iv) None of the above.

28. In Q. 27, if we draw Bundle 3 on a graph the possible shape of the curve will be

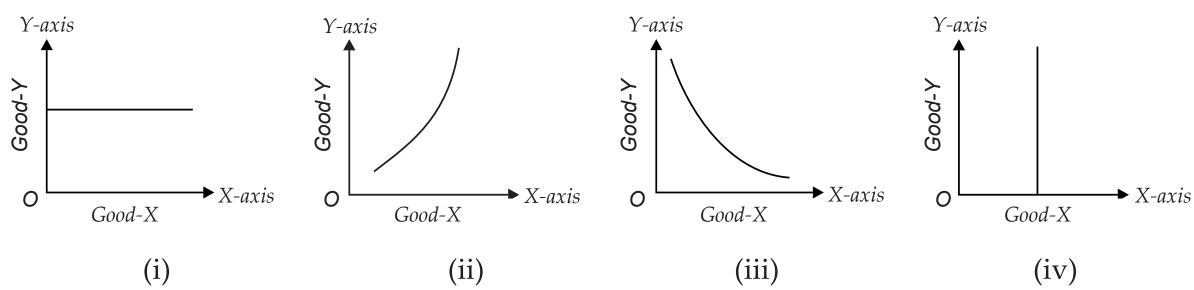


Fig. 7

29. In Q. 27, the marginal rate of substitution of Good-X for Good-Y in Bundle 3 is
    (i) constant. (ii) increasing.
    (iii) diminishing. (iv) not measurable.

30. Which of the following shapes of normal indifference curves may be possible?

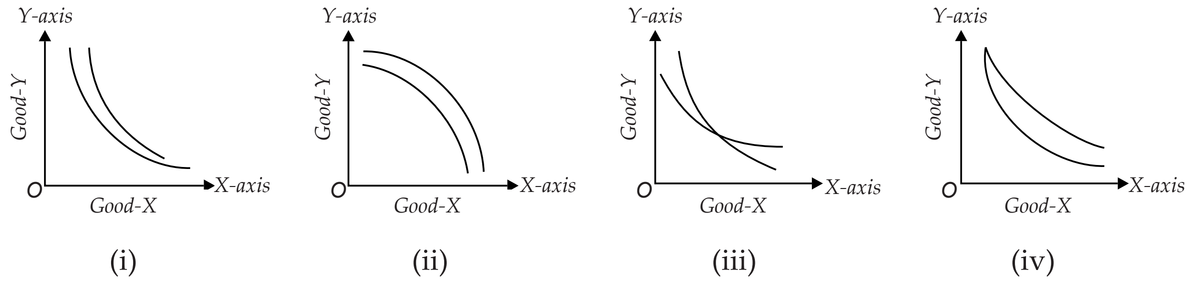


Fig. 8

31. If the prices of both the goods X and Y fall in the same proportion, which of the following figures will fairly represent the new price line?

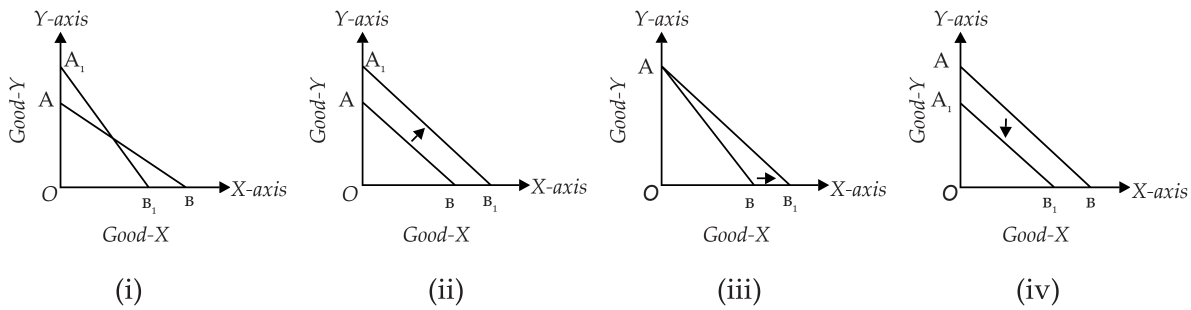


Fig. 9

32. According to Fig. 10, if a rational consumer arranges combinations S,N,T in the order of preference, which would be the most suitable order?
   (i) T, N, S
   (ii) S, T, N
   (iii) C, T, S
   (iv) N, S, T.

33. Indifference curves are convex to the origin because of
   (i) increasing MRS_{XY}.
   (ii) diminishing MRS_{XY}.
   (iii) Law of Diminishing Marginal Utility.
   (iv) Law of Equi-Marginal Utility.

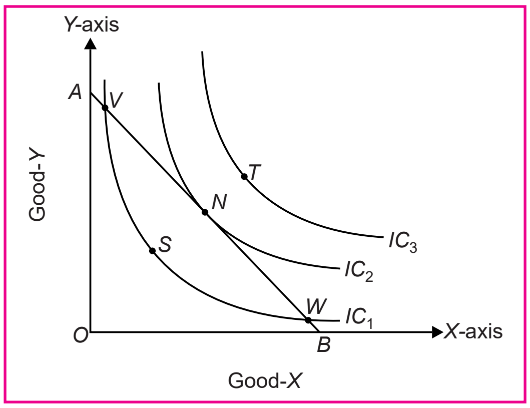


Fig. 10: Consumer's Equilibrium (ordinal approach)

34. Which of the following measures the slope of an indifference curve?
   (i) Budget Line (ii) Marginal Rate of Substitution
   (iii) Marginal Rate of Transformation (iv) None of the above.

35. A rational consumer will be in equilibrium where there is tangency between price line and indifference curve because at this point:

   (i) $MRS_{XY} < \dfrac{P_X}{P_Y}$ (ii) $MRS_{XY} > \dfrac{P_X}{P_Y}$

   (iii) $MRS_{XY} = \dfrac{P_X}{P_Y}$ (iv) None of the above.

36. According to the modern approach of consumer's behaviour,

(i) measurement of utility cannot be possible through money.

(ii) measurement of utility is possible but it cannot be ranked.

(iii) measurement of utility cannot be possible in cardinal numbers but it can be ranked.

(iv) None of the above.

37. If marginal rate of substitution is constant throughout, the indifference curve will be

(i) parallel to the X-axis. (ii) downward sloping and concave.

(iii) downward sloping and convex. (iv) downward sloping straight line.

38. A consumer consumes only two goods. If price of one of the goods falls, the indifference curve

(i) shifts upwards. (ii) shifts downwards.

(iii) can shift both upwards or downwards. (iv) does not shift.

39. Which of the following is not a valid property of an indifference curve?

(i) Indifference curve slopes downwards.

(ii) Indifference curve is concave to the origin.

(iii) Two indifference curves cannot intersect each other.

(iv) Higher indifference curve represents higher level of satisfaction.

40. Slope of budget line is:

(i) $\frac{(-)P_x}{P_y}$ (ii) $\frac{\Delta Y}{\Delta Q}$

(iii) $\frac{P_x}{P_y}$ (iv) None of the above.

41. From the point of view of an economy, the supply of land is always

(i) perfectly inelastic. (ii) less than unitary elastic.

(iii) more than unitary elastic. (iv) perfectly elastic.

42. Supply can be perfectly elastic only in the

(i) very short run. (ii) short run.

(iii) long run. (iv) very long run.

43. Keeping other factors constant, contraction of supply may occur due to a given change in

(i) number of the firms in the market. (ii) tax policy of the government.

(iii) subsidies policy of the government. (iv) own price of the commodity.

44. In case of which of the following the seller would like to sell the goods in stock as quickly as possible?

(i) Automobile products (ii) Mobile phones

(iii) Vegetables (iv) Furniture

45. The government in the last union budget declared a series of incentives and subsidies on e-vehicles, this has resulted into

(i) movement along the same supply curve. (ii) increase in cost of the e-vehicles.

(iii) increase in price of the commodity. (iv) shift in the supply curve away from the origin.

46. Supply curve is a straight line parallel to the horizontal axis in case of

(i) unitary elastic supply. (ii) perfectly elastic supply.

(iii) perfectly inelastic supply. (iv) None of the above.

47. Market supply of a commodity is 1,200 units when the price is ₹ 20. With a 10% fall in the price the quantity supplied falls by 20%. Which of the following represents the true value of price elasticity of supply?

(i) 2 (ii) 3

(iii) 4 (iv) 0

48. If the price elasticity of supply is 0.8 and the percentage change in the price of the commodity is 15%, then percentage change in quantity supplied is:

(i) 10% (ii) 1%

(iii) 12% (iv) 8%

49. In case of the short-run production function the factor-ratio remains

(i) constant. (ii) variable.

(iii) either constant or variable. (iv) neither constant nor variable.

50. Which of the following represents Marginal Physical Product correctly?

(i) Total Physical Product (ii) $\frac{\text{TPP}}{\text{Q}}$

(iii) $\frac{\Delta\text{TPP}}{\Delta\text{Q}}$ (iv) None of the above.

51. Which of the following represents Average Physical Product correctly?

(i) Total Physical Product$_N$ – Total Physical Product$_{N-1}$

(ii) Total Physical Product x Q

(iii) $\frac{\text{TPP}}{\text{Q}}$ (iv) $\frac{\Delta\text{TPP}}{\Delta\text{Q}}$

52. If the average physical product rises the marginal physical product will be

(i) < Average Physical Product. (ii) > Average Physical Product.

(iii) = Average Physical Product. (iv) None of the above.

53. If for a producer the stage of increasing returns to a given variable factor is prevailing then

(i) Total Physical Product will be increasing at an increasing rate.

(ii) Total Physical Product will be increasing at a diminishing rate.

(iii) Total Physical Product will be constant.

(iv) Total Physical Product will be falling.

54. If Marginal Physical Product curve cuts the Average Physical Product curve from above at its maximum point then we may say that

(i) Marginal Physical Product will be lesser than Average Physical Product.

(ii) Marginal Physical Product will be greater than Average Physical Product.

(iii) Marginal Physical Product will be equal to the Average Physical Product.

(iv) None of the above.

55. Point of inflexion refers to that point on Total Physical Product curve from where onwards the ________________of Total Physical Product changes.

(i) curvature (ii) design

(iii) pattern (iv) None of the above.

56. Marginal physical product curve is generally a

(i) rectangular hyperbola. (ii) inverted U-shaped curve.

(iii) regular U-shaped curve. (iv) None of the above.

Q. 57 to Q.61 are based on the following available information. Answer these accordingly.

57. Mrs. P. Lal resigns from her job with M. Shah & Co. that paid her ₹ 50,000 a month. She commences her own practice; she gets her premises vacated from the tenant who used to pay her a rent of ₹ 30,000 per month. She also withdraws ₹ 5,00,000 from her fixed deposits with a bank which used to earn her 12% interest per annum. During the first year, she incurs the following expenses:

(i)	Wages paid to employees	₹ 1,00,000
(ii)	Purchases	₹ 2,00,000
(iii)	Electricity, water, phone bills and other sundry expenses	₹ 1,00,000

There were no other expenses.

Her total revenue during the year was ₹ 14,00,000.

Her total explicit cost during the year was

(i) ₹ 4 lakh. (ii) ₹ 1 lakh.
(iii) ₹ 1.50 lakh. (iv) ₹ 6.50 lakh.

58. In Q. 57, total implicit costs are

(i) ₹ 6,00,000. (ii) ₹ 5,00,000.
(iii) ₹ 11,00,000. (iv) ₹ 10,20,000.

59. In Q. 57, total costs of business firm are

(i) ₹ 10,20,000. (ii) ₹ 4,00,000.
(iii) ₹ 14,20,000. (iv) ₹ 14,60,000.

60. In Q. 57, in accounting sense during the first year she makes a profit equal to

(i) ₹ 14,00,000 – ₹ 14,60,000. (ii) ₹ 14,00,000 – ₹ 14,20,000.
(iii) ₹ 14,00,000 – ₹ 10,20,000. (iv) ₹ 14,00,000 – ₹ 4,00,000.

61. In Q. 57, in economic sense, during the first year she makes a profit equal to

(i) ₹ 14,00,000 – ₹ 14,60,000. (ii) ₹ 14,00,000 – ₹ 14,20,000.
(iii) ₹ 14,00,000 – ₹ 10,20,000. (iv) ₹ 14,00,000 – ₹ 4,00,000.

62. Which of the following figures is correct?

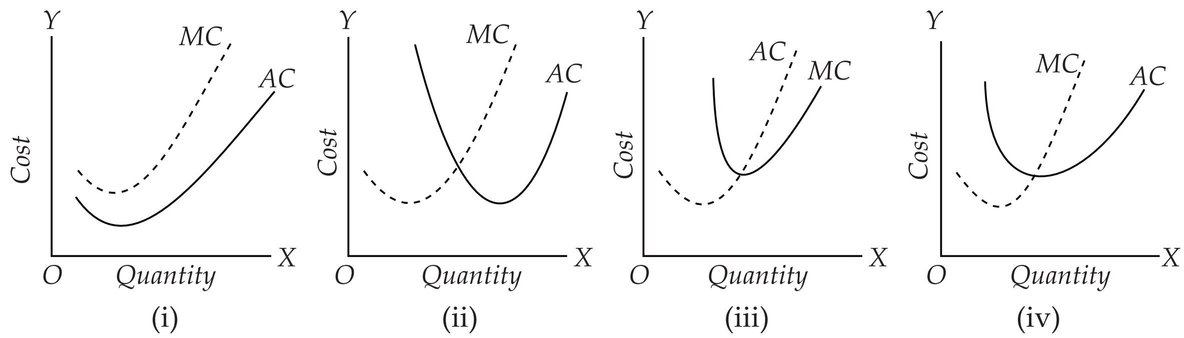


Fig. 11

63. Which of the following varies directly with the level of output?

(i) Marginal cost (ii) Variable cost
(iii) Average cost (iv) Fixed cost

64. Total fixed cost will be ________________ and ________________ if the production of output is at zero level.

(i) positive, rising (ii) negative, falling
(iii) positive, constant (iv) positive, falling

65. Average Fixed Cost (AFC) is ____________

(i) a straight line parallel to X-axis. (ii) a rectangular hyperbola.
(iii) a regular U-shaped curve. (iv) a straight line parallel to Y-axis.

66. If marginal cost is greater than the average cost then

(i) AFC will be rising. (ii) AC will be falling.
(iii) AC will be constant. (iv) AC will be rising.

67. If the total cost of producing 10 units of a commodity is ₹ 150 and that of producing 20 units is ₹ 350, which of the following is correct for the marginal cost?

(i) ₹ 25 (ii) ₹ 20
(iii) ₹ 15 (iv) ₹ 10

68. Which of the following correctly describes the revenue curves of a perfectly competitive firm in the short run?

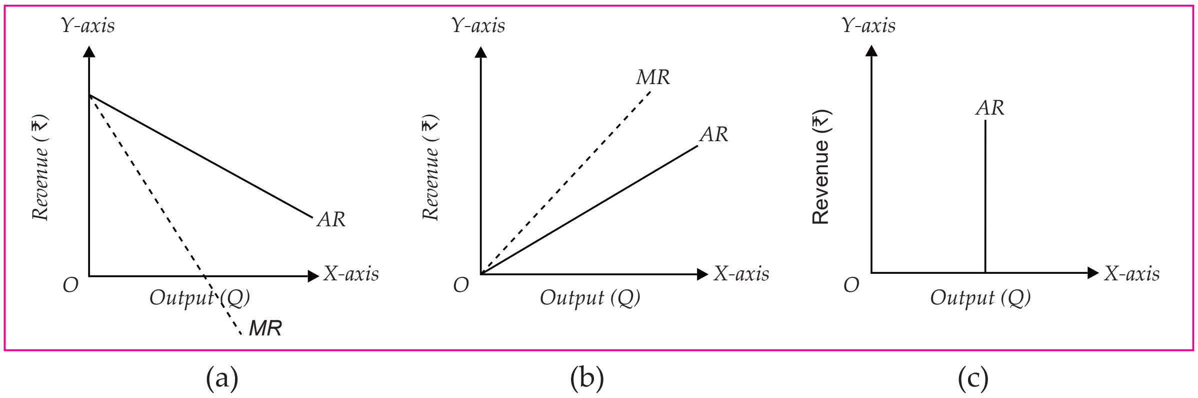


Fig. 12

(i) (a) (ii) (b)

(iii) (c) (iv) None of the above.

69. If MR = 0, AR will be

(i) rising. (ii) falling.

(iii) zero. (iv) constant.

70. Under ______________ form of market P = AR ≠ MR.

(i) perfect competition (ii) semi-perfect competition

(iii) monopsony (iv) monopoly

71. Value of Marginal Revenue at zero level of output is generally

(i) One. (ii) Zero.

(iii) Not defined. (iv) None of the above.

72. Which of the following is not a characteristic of a perfectly competitive market?

(i) Large number of firms in the industry.

(ii) Outputs of the firms are perfect substitutes for one another.

(iii) Firms face downward-sloping demand curve.

(iv) Resources are very mobile.

73. Which of the following graphs best represents the demand curve facing a monopolist firm?

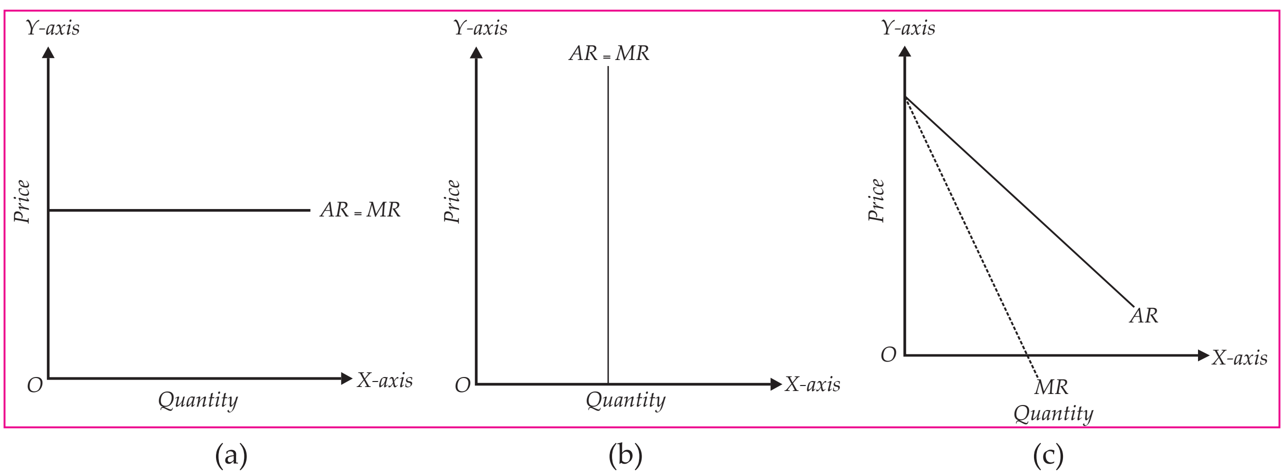


Fig. 13

(i) (a) (ii) (b)

(iii) (c) (d) None of the above.

74. In which of the following markets the firms are price-taker?

(i) Perfect Competition (ii) Oligopoly

(iii) Monopoly (iv) Monopolistic Competition

75. Which of the following markets have the unique feature of product differentiation?

(i) Monopoly (ii) Oligopoly

(iii) Perfect Competition (iv) Monopolistic Competition

76. In which of the following market forms, marginal revenue is equal to average revenue?

(i) Perfect Competition (ii) Monopoly

(iii) Oligopoly (iv) Monopolistic Competition

77. In which of the following market forms, selling cost is absent?

(i) Perfect Competition (ii) Monopoly and Perfect Competition

(iii) Oligopoly (iv) Monopolistic Competition

78. Under monopoly form of market the price elasticity of demand is generally

(i) more than unity. (ii) equal to unity.

(iii) less than unity. (iv) infinity.

79. In case of ________________ products of all firms in the industry are homogeneous in nature.

(i) Monopolistic Competition (ii) Monopoly

(iii) Perfect Competition (iv) None of the above.

80. In oligopoly form of market which one of the following does not hold true?

(i) Non-price competition (ii) Small number of huge firms

(iii) Indeterminate firm's demand curve (iv) Perfect knowledge among the buyers

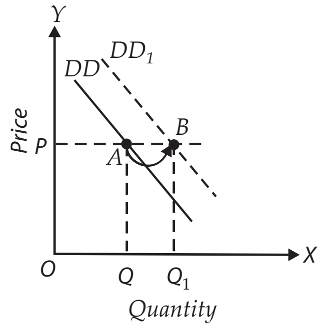
ANSWERS (SAMPLE QUESTION PAPER 1)

1. (iv) All of the above. **2.** (iii) the consumer's real income has increased.

3. (ii) decrease in demand for the substitute good. **4.** (ii) Coke and Pepsi

5. (ii) expansion in demand.

6. (iii)

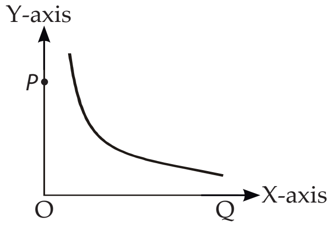


7. (ii) negative. **8.** (ii) complementary goods.

9. (i) Price of the commodity itself

10. (iv) infinitely large number of substitutes are available.

11. (iv)



12. (iv) None of the above

13. (ii) More than unity **14.** (iv) 36.

15. (iv) the consumer would not like to consume this unit of the commodity even if he has not to pay any price for this commodity.

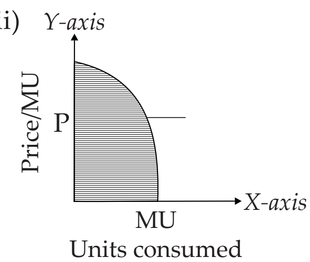
16. (iii) MU is zero. **17.** (iii) $\frac{MU_X}{MU_Y} = \frac{P_X}{P_Y}$ **18.** (ii) decreasing. **19.** (i) ₹ 5.

20. (ii) $\frac{MU_X}{P_X} < \frac{MU_Y}{P_Y}$ **21.** (i) measured.

22. (iv) Law of diminishing marginal utility

23. (ii) satisfaction gained from consuming such product.

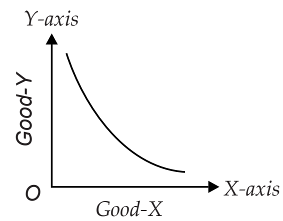
24. (ii) 250 utils. **25.** (iii)



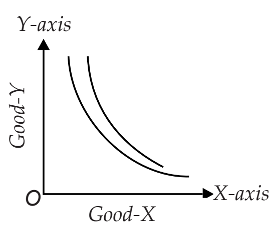
26. (iii) point E and point B.

27. (iii) Bundle 3

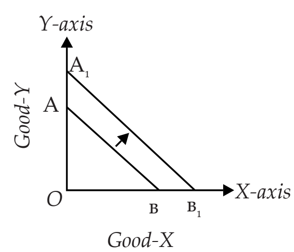
28. (iii)



29. (iii) diminishing. **30.** (i)



31. (ii)



32. (i) T, N, S **33.** (ii) diminishing MRS_{XY}. **34.** (ii) Marginal Rate of Substitution

35. (iii) $MRS_{XY} = \frac{P_X}{P_Y}$

36. (iii) measurement of utility cannot be possible in cardinal numbers but it can be ranked.

37. (iv) downward sloping straight line.

38. (iv) does not shift. **39.** (ii) Indifference curve is concave to the origin.

40. (iii) $\frac{P_x}{P_y}$ **41.** (i) perfectly inelastic. **42.** (iv) very long run.

43. (iv) own price of the commodity. **44.** (iii) Vegetables

45. (iv) shift in the supply curve away from the origin.

46. (ii) perfectly elastic supply. **47.** (i) 2 **48.** (iii) 12%

49. (ii) variable. **50.** (iii) $\frac{\Delta TPP}{\Delta Q}$ **51.** (iii) $\frac{TPP}{Q}$

52. (ii) > Average Physical Product.

53. (i) Total Physical Product will be increasing at an increasing rate.

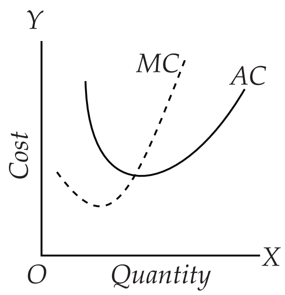
54. (iii) Marginal Physical Product will be equal to the Average Physical Product.

55. (i) curvature **56.** (ii) inverted U-shaped curve **57.** (i) ₹ 4 lakh.

58. (iv) ₹ 10,20,000. **59.** (iii) ₹ 14,20,000 lakh.

60. (iv) ₹ 14,00,000 lakh – ₹ 4,00,000 **61.** (ii) ₹ 14,00,000 lakh – ₹ 14,20,000

62. (iv)



(iv)

63. (ii) Variable cost

64. (iii) positive, constant

65. (ii) a rectangular hyperbola.

66. (iv) AC will be rising.

67. (ii) ₹ 20

68. (iv) None of the above. **69.** (ii) falling. **70.** (iv) monopoly

71. (iii) Not defined. **72.** (iii) Firms face downward-sloping demand curve.

73. (iii) (c) **74.** (i) Perfect Competition

75. (iv) Monopolistic Competition **76.** (i) Perfect Competition

77. (ii) Monopoly and Perfect Competition **78.** (iii) less than unity.

79. (iii) Perfect Competition **80.** (iv) Perfect knowledge among the buyers

SAMPLE QUESTION PAPER 2

CLASS XII
ECONOMICS (856)
TERM 1

Maximum Marks: 80 **Time Allowed: 90 Minutes**

General Instructions:

Candidates are allowed additional 15 minutes for only reading the paper.

All Questions are Compulsory.

Each question/subpart of a question carries 1 mark.

Select the correct option for each of the following questions.

1. An increase in demand for a commodity may be caused by

(i) a fall in the price.

(ii) a rise in the price.

(iii) an increase in income.

(iv) a fall in the price of a substitute good.

2. Which of the following graphs represents a cross demand curve?

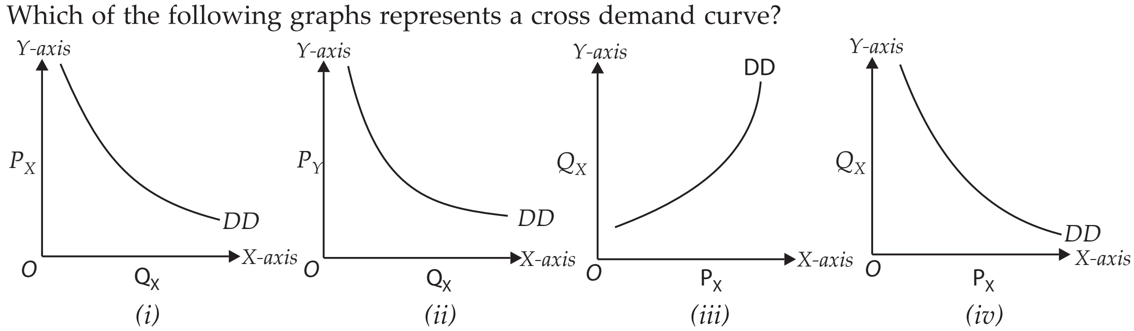


Fig. 1

3. In Q. 2, Fig. 1 (ii) graphically represents the case of

(i) substitute goods. (ii) complementary goods.

(iii) competitive goods. (iv) rival goods.

4. Which of the following statements is correct with reference to the statement given?

With a fall in the price of outgoing calls on mobile

(i) demand for mobile phones will decrease.

(ii) quantity demanded for outgoing calls will expand.

(iii) demand for land line phones will expand.

(iv) All of the above.

5. In Fig. 2, assume that the original position on the demand curve is point B. A movement from point B to point A is called

(i) contraction in demand.

(ii) expansion in demand.

(iii) increase in demand.

(iv) decrease in demand.

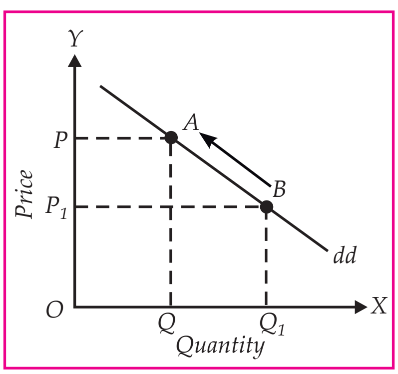


Fig. 2

6. Those goods which carry inverse relation with income of the consumer are called

(i) normal goods. (ii) negative goods.

(iii) inferior goods. (iv) necessity goods.

7. Given the following demand schedule,

P	Q
10	20
8	30

what shall be the price elasticity coefficient when the price falls from ₹ 10 to ₹ 8?

(i) 1.0 (ii) 1.5
(iii) 2.0 (iv) 2.5

8. Suppose demand for a commodity is more than unitary elastic. Which of the following good represents this?

Good-X		*Good-Y*	
Price (₹)	*Quantity (in units)*	*Price (₹)*	*Quantity (in units)*
10	*6*	*10*	*6*
12	*5*	*12*	*4*

(i) Good-X (ii) Good-Y
(iii) Both (i) and (ii) (iv) None of the above.

9. In Q. 8, which Good represents less than unit elastic demand?

(i) Good-X (ii) Good-Y
(iii) Both (i) and (ii) (iv) None of the above.

10. In Q. 8, what type of demand is being represented by Good-X?

(i) Unit elastic (ii) Less than unitary elastic
(iii) More than unitary elastic (iv) None of the above.

11. Due to 10% fall in the price of a commodity, its quantity demanded rises from 400 units to 450 units. Which of the following value represent the value of price elasticity of demand?

(i) 1 (ii) 1.25
(iii) 1.50 (iv) 0.75

12. By cardinal numbers, we mean

(i) 1, 2, 3, 4, …, etc. (ii) first, second, third, etc.
(iii) arabic numbers. (iv) latin numbers.

13. Total utility is maximum when

(i) marginal utility is zero. (ii) marginal utility is at its highest point.
(iii) marginal utility is equal to average utility. (iv) average utility is maximum.

14. If the consumer consumes only one commodity 'X', he will be in equilibrium when

(i) $MU_X > P_X$. (ii) $MU_X = P_X$.
(iii) $MU_X < P_X$. (iv) None of the above.

15. Law of diminishing marginal utility states that when more and more standard units of a commodity are consumed without a time lag/gap, marginal utility

(i) becomes zero. (ii) remains constant.
(iii) starts decreasing. (iv) starts increasing.

16. Initially $\frac{MU_X}{P_X} = \frac{MU_Y}{P_Y}$, with a fall in the price of Y, the consumption of Y

(i) diminishes. (ii) remains constant.
(iii) increases. (iv) becomes zero.

17. The total utility derived by Mr. X by consuming 6 slices of bread is 30 utils. Marginal utility of the 7th slice of bread is 3 utils. The total utility for 7 bread slices will be

(i) 33 utils. (ii) 27 utils.
(iii) 30 utils. (iv) 3 utils.

18. Once the point of satiety is attained, consumption of additional units of the commodity causes
 (i) both TU and MU increase. (ii) TU falls and MU increases.
 (iii) TU falls and MU falls and becomes negative. (iv) TU becomes negative and MU falls.

19. If MU_X is 40 and MU_Y is 30. If the price of Good-Y is ₹ 9, the price of Good-X at equilibrium will be ________.
 (i) ₹ 9 (ii) ₹ 30
 (iii) ₹ 15 (iv) ₹ 12

20. An indifference curve slopes down towards the right since more units of one commodity consumed and less units of another commodity consumed would result in
 (i) same level of satisfaction. (ii) greater level of satisfaction.
 (iii) maximum level of satisfaction. (iv) decreased level of satisfaction.

21. Diminishing marginal rate of substitution can be represented graphically by which of the following curves:

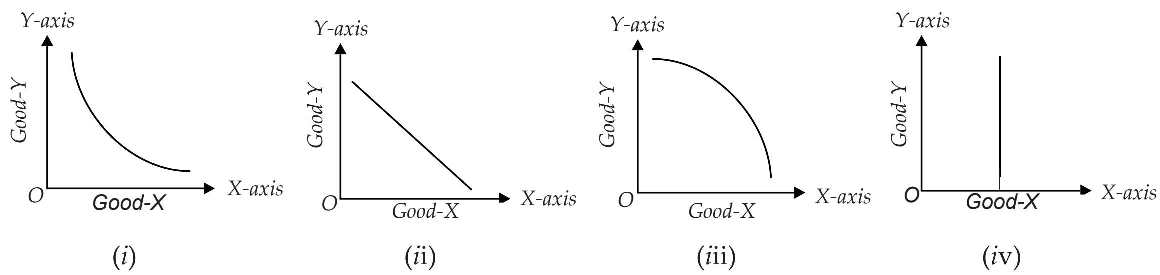


Fig. 3

22. In Fig. 4, which of the following combinations is likely to be purchased by the consumer?
 (i) S (ii) V
 (iii) T (iv) N

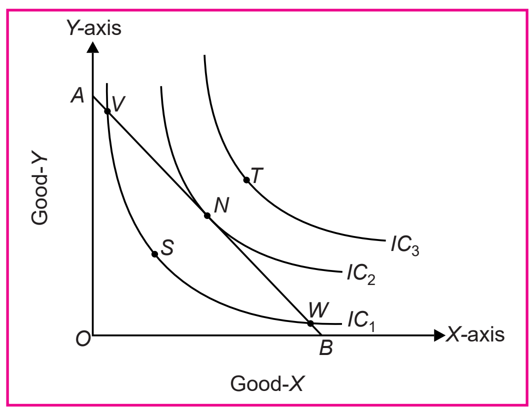


Fig. 4: Consumer's Equilibrium (ordinal approach)

23. Indifference Map refers to
 (i) highest indifference curve.
 (ii) lowest indifference curve.
 (iii) family of indifference curves.
 (iv) None of the above.

24. Budget set includes
 (i) all those combinations of two goods which a consumer already possesses.
 (ii) all those combinations of two goods which a consumer cannot afford.
 (iii) all those combinations of two goods which a consumer is willing to buy.
 (iv) all those combinations of two goods which a consumer can afford.

25. The slope of price line, in case of commodities X and Y, is estimated by
 (i) taste and preferences of consumer. (ii) prices of both the commodities.
 (iii) price of commodity-X alone. (iv) price of commodity-Y alone.

26. For a stable and unique consumer's equilibrium, MRS_{XY} should be
 (i) constant. (ii) increasing.
 (iii) diminishing. (iv) None of the above.

27. If marginal rate of substitution is increasing throughout, the indifference curve will be
 (i) downward sloping convex. (ii) downward sloping concave.
 (iii) downward sloping straight line. (iv) upward sloping convex.

28. As one moves down an indifference curve, the MRS_{XY} will
 (i) diminish. (ii) rise.
 (iii) remain constant. (iv) None of the Above.

29. The entire schedule showing various quantities offered for sale at different possible prices of the commodity is called

(i) quantity supplied. (ii) supply.

(iii) individual supply. (iv) None of the above.

30. Keeping other factors constant, increase of supply will not occur due to change in

(i) number of the firms in the market. (ii) tax policy of the government.

(iii) own price of the commodity. (iv) subsidies policy of the government.

31. Following the concept under theory of producers behaviour the supply curve may shift to the right parallel to the existing supply curve when

(i) the cost of inputs fall. (ii) number of firms in the industry increase.

(iii) subsidies declared by the government. (iv) All of the above.

32. If the supply of a commodity increases, supply curve would move

(i) towards origin. (ii) away from origin.

(iii) towards X-axis. (iv) towards Y-axis.

33. Supply curve is a straight line parallel to the vertical axis in case of

(i) unitary elastic supply. (ii) perfectly elastic supply.

(iii) perfectly inelastic supply. (iv) None of the above.

34. Supply is said to be relatively elastic in case of

(i) short period. (ii) long period.

(iii) very short period. (iv) None of the above.

35. Which of the following represents 'Per Labour Unit' of output?

(i) Total physical product (ii) Physical product

(iii) Marginal physical product (iv) Average physical product

36. If the marginal physical product is negative what would be the state of total physical product?

(i) Total Physical Product will be falling. (ii) Total Physical Product will be rising.

(iii) Total Physical Product will be constant. (iv) Total Physical Product will be negative.

37. If for a producer the stage of negative returns to a given variable factor is prevailing then:

(i) Total Physical Product will be increasing at an increasing rate.

(ii) Total Physical Product will be increasing at a diminishing rate.

(iii) Total Physical Product will be constant.

(iv) Total Physical Product will be falling.

38. If Total Physical Product is at its highest point then the Marginal Physical Product would be

(i) maximum. (ii) minimum.

(iii) zero. (iv) one.

39. Total cost in the short run is classified into fixed costs and variable costs. Which one of the following is a variable cost?

(i) Cost of raw material (ii) Cost of equipment

(iii) Interest payment on past borrowings (iv) Payment of rent on building

40. Use the following data to answer the questions.

Output (units)	0	1	2	3	4	5	6
TC (₹)	240	330	410	480	540	610	690

The average fixed cost of 2 units of output is

(i) ₹ 80. (ii) ₹ 85.

(iii) ₹ 120. (iv) ₹ 205.

41. In Q.40, the marginal cost of the sixth unit of output is

(i) ₹ 133. (ii) ₹ 75.

(iii) ₹ 80. (iv) ₹ 450.

42. Which of the following short-run cost curves are best described as U-shaped curves?

(a) Total Variable Cost (b) Average Variable Cost

(c) Average Total Cost (d) Marginal Cost

(i) (a) and (d) (ii) (b) and (d)

(iii) (b) and (c) (iv) (c) and (d)

43. Overhead cost is an alternative name for

(i) total cost. (ii) variable cost.

(iii) average cost. (iv) fixed cost.

44. Which one of the following is a valid formula for total cost, in short run?

(i) AFC × TVC (ii) TFC ÷ TVC

(iii) AFC + AVC (iv) TFC + TVC

45. Which of the following is the example of an implicit cost?

(i) Wages paid (ii) Raw material cost

(iii) Interest on owner's capital (iv) None of the above.

46. When the rising portion of the marginal cost curve cuts average cost curve from below, average variable cost will be

(i) rising. (ii) falling.

(iii) constant. (iv) falling but positive.

47. If in the short run the average total cost is falling, then

(i) MC < AC (ii) MC > AC

(iii) MC = AC (iv) AVC > MC

48. The average cost is ₹ 120 at the production level of the 6th unit. The value of total cost of producing 6 units will be

(i) ₹ 520. (ii) ₹ 620.

(iii) ₹ 720. (iv) ₹ 580.

49. Average Fixed Cost (AFC) is ____________

(i) a straight line parallel to X-axis. (ii) a rectangular hyperbola.

(iii) a regular U-shaped curve. (iv) a straight line parallel to Y-axis.

50. Mrs. P. Lal resigns from her job with M. Shah & Co. that paid her ₹ 50,000 a month. She commences her own practice; she gets her premises vacated from the tenant who used to pay her a rent of ₹ 30,000 per month. She also withdraws ₹ 5,00,000 from her fixed deposits with a bank which used to earn her 12% interest per annum. During the first year, she incurs the following expenses:

(i)	Wages paid to employees	₹ 1,00,000
(ii)	Purchases	₹ 2,00,000
(iii)	Electricity, water, phone bills and other sundry expenses	₹ 1,00,000

There were no other expenses.

Her total revenue during the year was ₹ 14,00,000.

Her total explicit cost during the year was

(i) ₹ 4 lakh. (ii) ₹ 1 lakh.

(iii) ₹ 1.50 lakh. (iv) ₹ 6.50 lakh.

51. In Q. 50, total implicit costs are

(i) ₹ 6,00,000. (ii) ₹ 5,00,000.

(iii) ₹ 11,00,000. (iv) ₹ 10,20,000.

52. In Q. 50, total costs of business firm are

(i) ₹ 10,20,000. (ii) ₹ 4,00,000.

(iii) ₹ 14,20,000. (iv) ₹ 14,60,000.

53. In Q. 50, in accounting sense during the first year she makes a profit equal to

(i) ₹ 14,00,000 – ₹ 14,60,000. (ii) ₹ 14,00,000 – ₹ 14,20,000.

(iii) ₹ 14,00,000 – ₹ 10,20,000. (iv) ₹ 14,00,000 – ₹ 4,00,000.

54. In Q. 50, in economic sense, during the first year she makes a profit equal to

(i) ₹ 14,00,000 – ₹ 14,60,000. (ii) ₹ 14,00,000 – ₹ 14,20,000.

(iii) ₹ 14,00,000 – ₹ 10,20,000. (iv) ₹ 14,00,000 – ₹ 4,00,000.

55. In short run, the total cost will be rising at an increasing rate when marginal cost is

(i) constant. (ii) increasing.

(iii) decreasing. (iv) negative.

56. A firm is faced with a downward sloping demand curve. As it sells more quantity, its TR will

(i) increase. (ii) fall.

(iii) remain unchanged. (iv) Any of the above.

57. A firm can sell all of its output at the price of ₹ 8 per unit. Given the following cost schedule of the firm, what shall be the AR for the firm for producing 5 units of the output?

Output (units)	0	1	2	3	4	5	6
Total cost (₹)	6	16	24	30	38	48	60

(i) ₹ 6 (ii) ₹ 8

(iii) ₹ 16 (iv) ₹ 24

58. In Q. 57 what will be the MR of selling 5th unit?

(i) ₹ 6 (ii) ₹ 8

(iii) ₹ 16 (iv) ₹ 24

59. In Q. 57 at what level of output MR = MC?

(i) 1 unit (ii) 2 units

(iii) 3 units (iv) 5 units

60. In Q. 57 firm's equilibrium will be established when the firm produces

(i) 1 unit. (ii) 3 units.

(iii) 4 units. (iv) 6 units.

61. When TR is rising MR will be

(i) falling. (ii) rising.

(iii) constant. (iv) may rise or fall.

62. The structure of the automobile industry in India is best described as

(i) perfectly competitive. (ii) monopolistic.

(iii) monopolistically competitive. (iv) oligopolistic.

63. Which of the following is not a characteristic of monopolistic competition?

(i) Ease of entry into the industry (ii) Product differentiation

(iii) A relatively large number of sellers (iv) A homogenous product

64. Which of the following markets have the unique feature of indeterminate demand curve?

(i) Perfect Competition (ii) Oligopoly

(iii) Monopoly (iv) Monopolistic Competition

65. Under which of the market form the firm can charge different prices from different set of consumers for the same commodity?

(i) Perfect Competition (ii) Monopoly

(iii) Oligopoly (iv) Monopolistic Competition

66. Demand curve in case of monopolistic competition is

(i) relatively elastic. (ii) relatively inelastic.

(iii) perfectly elastic. (iv) perfectly inelastic.

67. Firm's demand curve under monopoly shows __________ relation between price and the quantity demanded of a product.

(i) no (ii) inverse

(iii) positive (iv) None of the above.

68. Under the monopoly form of market, where the firm is same as industry, there is

(i) no control over price. (ii) partial control over price.

(iii) full control over price. (iv) None of the above.

69. In which of the market forms, we assume the existence of perfect knowledge among buyers and sellers?

(i) Oligopoly (ii) Monopolistic Competition

(iii) Monopoly (iv) Perfect Competition

70. Which of the following types of market structure is the extreme contrast to monopoly?

(i) Monopolistic Competition (ii) Perfect Competition

(iii) Oligopoly (iv) Duopoly

71. In the monopolistic competition form of market, which one of the following statements is generally correct?

(i) Freedom of entry and exit for the new firms.

(ii) Straight line demand curve parallel to vertical axis.

(iii) Firm has full control over price.

(iv) Selling cost do not exist.

72. Under the collusive type of the oligopoly form of market the price is often guided by

(i) the follower firm. (ii) the leader firm.

(iii) industry. (iv) None of these.

73. Among the following, which one is not a good example of oligopoly market?

(i) Smartphones (ii) Mobile service providers

(iii) Gents' wear (iv) Automobiles

74. A market structure in which there are only two firms is known as

(i) Bilateral monopoly. (ii) Duopoly.

(iii) Oligopoly. (iv) Monopoly.

75. Monopsony is a market structure in which there is only

(i) one producer. (ii) one buyer.

(iii) many buyers. (iv) None of the above.

76. In which market structure firms do not incur selling costs?

(i) Perfect Competition (ii) Oligopoly

(iii) Monopolistic Competition (iv) None of the above.

Q. 77 to 80 are based on the given graph.

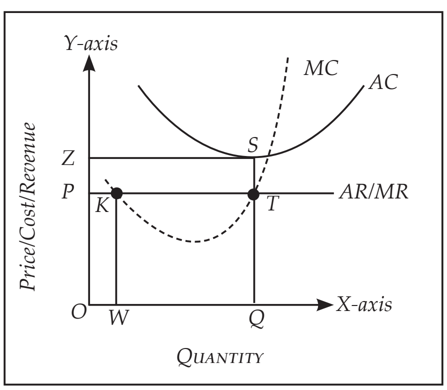


Fig. 5

77. The graph shows the short run equilibrium of a firm producing in __________ market structure.

(i) Perfect Competition (ii) Monopoly

(iii) Monopolistic Competition (iv) Oligopoly

78. Firm's equilibrium is shown at

(i) point T. (ii) point K.

(iii) point S. (iv) point W.

79. The line segment ST shows the

(i) per unit profit earned by the firm. (ii) per unit loss incurred by the firm.

(iii) marginal cost of the firm. (iv) average variable cost of the firm.

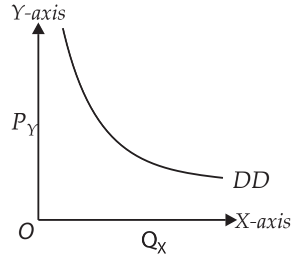
80. In this situation, the producer sells the product at

(i) OP price per unit. (ii) SQ price per unit.

(iii) OZ price per unit. (iv) ZS price per unit.

ANSWERS (SAMPLE QUESTION PAPER 2)

1. (iii) an increase in income. **2.** (ii)



3. (ii) complementary goods. **4.** (ii) quantity demanded for outgoing calls will expand.

5. (i) contraction in demand. **6.** (iii) inferior goods. **7.** (iv) 2.5

8. (ii) Good-Y **9.** (i) Good-X

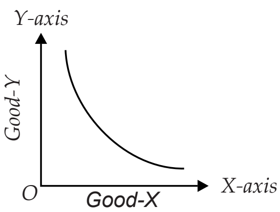
10. (ii) Less than unitary elastic **11.** (ii) 1.25 **12.** (i) 1, 2, 3, 4, …, etc.

13. (i) marginal utility is zero. **14.** (ii) $MU_X = P_X$. **15.** (iii) starts decreasing.

16. (iii) increases. **17.** (i) 33 utils. **18.** (iii) TU falls and MU falls and becomes negative.

19. (iv) ₹ 12. **20.** (i) same level of satisfaction.

21. (i)



22. (iv) N **23.** (iii) family of indifference curves.

24. (iv) all those combinations of two goods which a consumer can afford.

25. (ii) prices of both the commodities. **26.** (iii) diminishing.

27. (ii) downward sloping concave. **28.** (i) diminish.

29. (ii) supply. **30.** (iii) own price of the commodity. **31.** (iv) All of the above.

32. (iii) towards X-axis. **33.** (iii) perfectly inelastic supply.

34. (ii) long period. **35.** (iv) Average physical product

36. (i) Total Physical Product will be falling.

37. (iv) Total Physical Product will be falling.

38. (iii) zero. **39.** (i) Cost of raw material **40.** (iii) ₹ 120. **41.** (iii) ₹ 80.

42. (ii) (b) and (d) **43.** (iv) fixed cost. **44.** (iv) TFC + TVC

45. (iii) Interest on owner's capital **46.** (i) rising. **47.** (i) MC < AC **48.** (iii) ₹ 720.

49. (ii) a rectangular hyperbola. **50.** (i) ₹ 4 lakh. **51.** (iv) ₹ 10,20,000.

52. (iii) ₹ 14,20,000. **53.** (iv) ₹ 14,00,000 – ₹ 4,00,000.

54. (ii) ₹ 14,00,000 – ₹ 14,20,000. **55.** (ii) increasing. **56.** (iv) Any of the above.

57. (ii) ₹ 8 **58.** (ii) ₹ 8 **59.** (ii) 2 units **60.** (iii) 4 units

61. (iv) may rise or fall. **62.** (iii) monopolistically competitive.

63. (iv) A homogenous product **64.** (ii) Oligopoly **65.** (ii) Monopoly

66. (i) relatively elastic. **67.** (ii) inverse **68.** (iii) full control over price.

69. (iv) Perfect Competition **70.** (ii) Perfect Competition

71. (i) Freedom of entry and exit for the new firms. **72.** (ii) the leader firm.

73. (iii) Gents' wear **74.** (ii) Duopoly. **75.** (ii) one buyer.

76. (i) Perfect Competition **77.** (i) Perfect Competition **78.** (i) point T.

79. (ii) per unit loss incurred by the firm. **80.** (i) OP price per unit.